

ANNUAL REPORT

FOR THE FISCAL YEAR ENDED FEBRUARY 24,

1962



The Great Atlantic & Pacific Tea Company, Inc.



FRESH PRODUCE moves into one end of the modern A&P warehouse, and, within 24 hours, is on its way by trucks to area super markets.

(See warehouse story, "Heartbeat of Distribution," on pages 10, 11 and 12)



The Great Atlantic & Pacific Tea Company, Inc.

Comparative Highlights

For the Fiscal Year Ended	February 24, 1962	February 25, 1961	February 27, 1960
Sales	\$5,240,315,100	\$5,246,578,200	\$5,048,574,200
Income before income taxes	119,963,700	123,211,700	108,496,400
Provision for United States and Canadian income taxes	62,500,000	64,200,000	56,500,000
Net income	57,463,700	59,011,700	51,996,400
Per share*	2.45	2.51	2.22
Per cent of sales	1.10%	1.12%	1.03%
Cash dividends paid	29,879,200	26,745,100	18,390,500
Per share	1.30	1.20	.85
Stock dividend at market value	26,611,400	24,262,500	24,574,100
Additions to property, equipment and fixtures	57,752,000	56,643,200	51,900,100
Depreciation and amortization	39,245,100	35,554,700	31,800,800
At Year-End			
Working capital	\$279,885,700	\$269,563,500	\$257,399,400
Ratio of current assets to current liabilities	2.25	2.23	2.19
Property, equipment and fixtures less depreciation and amortization	224,372,200	208,261,900	187,860,700
Stockholders' equity	514,975,000	485,973,000	453,430,000
Per share*	21.95	20.71	19.32
Number of stores	4,409	4,351	4,276

*Based on 23,465,326 shares outstanding at February 24, 1962



RALPH W. BURGER

OFFICERS

RALPH W. BURGER *Chairman of the Board and President*

JOHN D. EHRGOTT *Vice President and Treasurer*

HARRY B. GEORGE *Vice President*

STEPHEN W. SHEA *Vice President*

JOHN J. REILLY *Secretary*

FRED E. CAMPBELL *Assistant Secretary*

HAROLD D. HOAG *Assistant Treasurer*

DIRECTORS

MELVIN W. ALLDREDGE

RALPH MANNING BROWN, JR.

FRANCIS H. BUCHER

*RALPH W. BURGER

*JOHN L. BURNS

FRED E. CAMPBELL

HAROLD W. CARVER

LAWRENCE M. CAZAYOUX

JAY E. CRANE

DONALD KIRK DAVID

*JOHN D. EHRGOTT

*HARRY B. GEORGE

HAROLD D. HOAG

WILLIAM F. LEACH

GWILYM A. PRICE

JOHN J. REILLY

*STEPHEN W. SHEA

*JOHN ELLIOT SLATER

*JOSEPH P. SMITH

ROBERT M. SMITH

**Members of the Executive Committee*

DIRECTORS EMERITUS

OLIVER C. ADAMS

WILLIAM M. BYRNES

EXECUTIVE OFFICES

420 Lexington Avenue, New York 17, N. Y.

TRANSFER AGENT

Morgan Guaranty Trust Company of New York
New York, New York

REGISTRAR

First National City Bank
New York, New York

To Our Stockholders

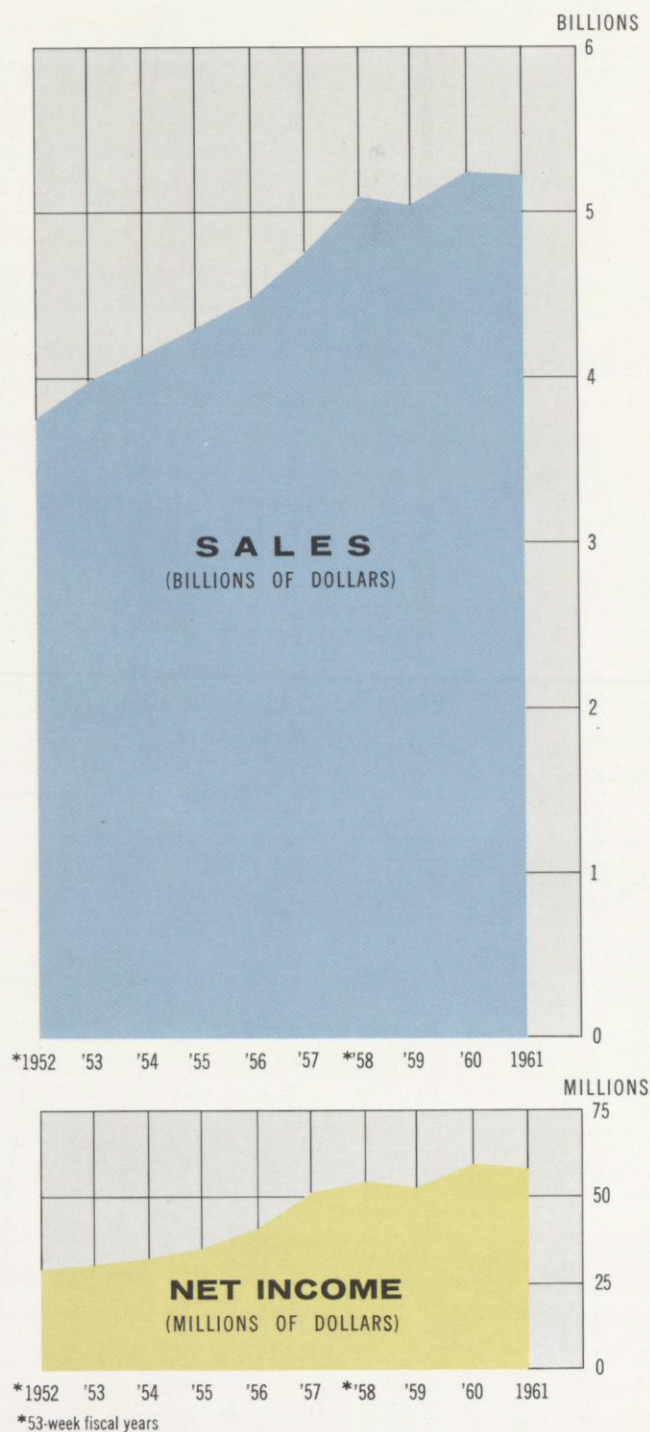
SALES AND EARNINGS for the year ended last February 24 were slightly less than a year earlier. Fiscal 1961 was, however, the second best year in the history of the Company.

Total sales for the 52-week period covered in this report were \$5,240,315,077, down approximately one tenth of one per cent from the comparable figure of \$5,246,578,194 for fiscal 1960. Net income was down less than three per cent, \$57,463,735 as compared with \$59,011,670.

Cash dividends of \$1.30 a share, consisting of four regular quarterly payments of 30 cents each plus a year-end "extra" of 10 cents, were the highest ever declared by the Board. Additionally, there was a two per cent stock dividend. At the same time, stockholder equity was increased to a record high total of \$514,975,020, equivalent to \$21.95 a share, up \$1.24 from fiscal 1960's previous high mark of \$20.71.

Accompanying this message are ten-year sales-profits "trend" charts to which I would like to call your attention.

Rivalry for consumer patronage is intense at all levels within the food retailing industry, each company striving constantly for greater public acceptance. While competition is recognized as an ever-present factor in food retailing, the situation became extremely acute last year in certain urban areas where new store construction outstripped the



population explosion and the normal expansion of residential areas. In these communities, competition reached an all-time peak and many food retailers turned to new and often extreme promotional devices to attract customers.

The management of A & P, because of this greatly accelerated competition, undertook an extensive survey to ascertain whether there was available to us a soundly conceived promotion that would help us win and hold customers while permitting us to retain our traditional low-price policy. It was obvious, almost from the start of our search, that trading stamps were the most popular and the least complicated of all the promotional systems used on an extensive scale.

Only after thorough research into all the programs available to us did we arrive at the conclusion that the E. F. MacDonald Company's Plaid trading stamp plan offered the greatest value to our customers and, at the same time, the most promising opportunity to our sales organization for improvement of A & P's performance.

Our initial experiment with this promotional device did not get under way until mid-November, far too late in fiscal 1961 to have substantial effects on the sales-profit picture for that year. Our pilot experiences, however, indicated that the program enabled us to recapture the sales potential that might otherwise have been lost.

We are now committed to a course of steady and orderly expansion of this program. We have stamps in approximately half of our stores and are in the process of introducing them in other trade areas as the circumstances indicate.

* * * * *

I can assure all of our stockholders that the management of A & P makes every effort—through efficiency and sales skill—to generate profits from our operations, but I do wish to re-state the philosophy that I have expressed so often:

We are a service organization dealing in the necessities of life; we will not profiteer at the expense of the consumer; we will continue to seek newer, faster and more efficient routes for the movement of quality foods from the farm to the American dinner table.

To us in management, there is only one route to increased profits—and that is greater sales. If promotional devices are needed to build sales volume, we will use them. We will utilize our flexibility to meet the competition and we will continue to seek new and better ways to distribute merchandise at the lowest possible cost.

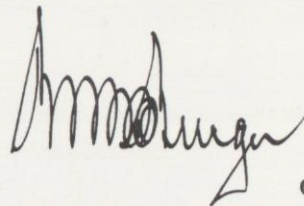
An important function of management is the maintenance of the physical properties—the stores, warehouses, manufacturing operations, etc.—as well as the constant modernization of these facilities and the establishment of new stores in those communities and neighborhoods which offer the greatest potential for additional business. Using the capital funds available to management, A & P leased and opened 275 new stores during fiscal 1961, remodeled another 460 and closed 217 retail outlets that were either inadequate or outdated. The resulting increase of 58 stores gave A & P a total of 4,409 at year's end.

Under no circumstances must we overlook our obligations as a service organization. In our day-to-day quest for consumer patronage, it is sometimes dangerously easy to lose sight of the importance of some of the behind-the-scenes operations that keep the over-all machinery running smoothly, so we strive to keep prominent in our thinking and planning the importance of maintaining an orderly flow of goods through a carefully supervised network of distribution.

Elsewhere in this report is a graphic presentation of one of the vital components of this network: the A & P warehouse. This is one of the "service" functions to which I have referred so often in my messages to you. I recommend to you this article as the source of some interesting information about one of the key operations that keeps your Company in the forefront of retailing, one of the service functions that helps A & P move merchandise as fast and as efficiently as anyone in the business.

* * * * *

Management wishes to express gratitude to its shareholders for their obvious interest in the improvement of the Company's service and efficient operation. Letters from stockholders and customers have been most helpful to us in pinpointing some specific "housekeeping" needs, leading the way to prompt remedial action.

A handwritten signature in dark ink, appearing to read "M. J. ...", is written over a horizontal line.

CHAIRMAN AND PRESIDENT

May 16, 1962

Consolidated Balance Sheet

FEBRUARY 24, 1962 AND FEBRUARY 25, 1961

ASSETS

	February 24, 1962	February 25, 1961
CURRENT ASSETS:		
Cash	\$156,436,626	\$135,662,982
United States and Canadian Government obligations—at cost	4,987,652	30,955,739
Accounts receivable	12,074,325	12,461,387
Merchandise and supplies (at the lower of cost or market)	330,254,018	310,325,657
Current assets	<u>503,752,621</u>	<u>489,405,765</u>
PROPERTY, EQUIPMENT AND FIXTURES:		
Land, at cost	1,835,599	1,917,816
Buildings, at cost less accumulated depreciation— 1962, \$6,535,354; 1961, \$6,380,741	2,237,653	2,435,308
Equipment, at cost less accumulated depreciation— 1962, \$112,884,962; 1961, \$107,172,841	163,639,472	151,537,447
Store fixtures, at amortized cost	56,659,521	52,371,353
Property, equipment and fixtures—net	<u>224,372,245</u>	<u>208,261,924</u>
DEFERRED CHARGES	<u>15,924,527</u>	<u>13,549,216</u>
	<u>\$744,049,393</u>	<u>\$711,216,905</u>

See the accompanying Notes



THE GREAT ATLANTIC & PACIFIC TEA COMPANY, INC. *and Subsidiary Companies*

L I A B I L I T I E S

	<u>February 24, 1962</u>	<u>February 25, 1961</u>
CURRENT LIABILITIES:		
Accounts payable	\$156,306,486	\$151,578,533
Accrued accounts:		
United States and Canadian income taxes	30,917,840	32,087,511
Other taxes, salaries, etc.	<u>36,642,572</u>	<u>36,176,233</u>
Current liabilities	<u>223,866,898</u>	<u>219,842,277</u>
RESERVES FOR SELF-INSURANCE, ETC.	<u>5,207,475</u>	<u>5,401,652</u>
STOCKHOLDERS' EQUITY:		
Common stock—\$1 par value; authorized 28,000,000 shares; issued 1962, 23,465,326 shares; 1961, 22,961,966 shares	23,465,326	22,961,966
Capital surplus	325,312,435	297,786,861
Earned surplus	<u>166,197,259</u>	<u>165,224,149</u>
Stockholders' equity	<u>514,975,020</u>	<u>485,972,976</u>
	<u>\$744,049,393</u>	<u>\$711,216,905</u>



Statement of Consolidated Income and Earned Surplus

FOR THE PERIOD ENDED FEBRUARY 24, 1962 AND FEBRUARY 25, 1961

	52 Weeks to February 24, 1962	52 Weeks to February 25, 1961
Sales	\$5,240,315,077	\$5,246,578,194
Cost of merchandise sold	4,372,966,343	4,408,879,483
Gross profit	867,348,734	837,698,711
Store operating, general and administrative expenses	748,691,929	716,279,720
Profit from operations	118,656,805	121,418,991
Other income—net	1,306,930	1,792,679
	119,963,735	123,211,670
United States and Canadian income taxes	62,500,000	64,200,000
Net income	57,463,735	59,011,670
Earned surplus at beginning of period	165,224,149	157,220,083
	222,687,884	216,231,753
Deduct:		
Cash dividends:		
1962, \$1.30 a share; 1961, \$1.20 a share	29,879,194	26,745,100
Stock dividends:		
1962, 2%; 1961, 3%		
Par value of shares issued	460,087	668,757
Excess of market value over par value of shares issued—transfer to capital surplus	26,151,344	23,593,747
	56,490,625	51,007,604
Earned surplus at end of period	\$ 166,197,259	\$ 165,224,149

See the accompanying Notes to Financial Statements

Notes to Financial Statements

STOCK OPTIONS: The restricted stock option plan approved by the stockholders on June 21, 1960 provided that executives and key employees may be granted options to purchase stock of the Company. On October 17, 1960 options were granted to purchase such shares at the fair market value of the stock on that date.

At February 24, 1962, after adjustment for stock dividends of January 23, 1961 and January 24, 1962 and cancellations, 322,008 shares had been allotted under the plan of which 51,499 shares have been purchased (43,273 shares during the year ended February 24, 1962) and 80,780 shares were available for purchase at \$32.13 a share. Proceeds from the 43,273 shares purchased amounted to \$1,417,503 of which \$43,273 was credited to capital stock and \$1,374,230 to capital surplus.

472,465 shares of the Company's unissued stock are reserved for issuance under the plan of which 80,780 shares are available for immediate purchase and 189,729 shares are available for purchase over the succeeding years beginning October 18, 1962. 201,956 shares are available for future grants.

RETIREMENT PLAN: Under the terms of the Employees' Retirement Plans as amended October 1, 1960, non-contributory retirement benefits are provided for eligible employees. Contributions by the companies were \$25,205,120 and \$21,567,510 for the period ended February 24, 1962 and February 25, 1961, respectively. It is estimated by the Company's independent consulting actuary that the total assets of the retirement plans as of December 31, 1961 were sufficient to cover the single sum actuarial liabilities for benefits accrued to that date.

LONG-TERM LEASES: Most operations of the companies are conducted in leased premises. There were approximately 4,700 leases in force on February 24, 1962 (exclusive of premises where operations had not commenced) that were, in general, for periods ranging from three to ten years. The current annual rental of these leased premises is approximately \$70,700,000.

OTHER MATTERS: Cost and expenses include depreciation and amortization of \$39,245,145 and \$35,554,723 for the period ended February 24, 1962 and February 25, 1961, respectively.

Since February 24, 1962, the companies' modernization program has involved the customary substantial expenditures, made or to be made, for new store leases, equipment and inventories.

Accountants' Opinion

HASKINS & SELLS
CERTIFIED PUBLIC ACCOUNTANTS

*To the Board of Directors of
The Great Atlantic & Pacific Tea Company, Inc.:*

We have examined the consolidated balance sheet of The Great Atlantic & Pacific Tea Company, Inc. and its subsidiary companies as of February 24, 1962, and the related statement of consolidated income and earned surplus for the 52 weeks then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the accompanying consolidated balance sheet and statement of consolidated income and earned surplus present fairly the financial position of the companies at February 24, 1962 and the results of their operations for the 52 weeks then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding period.

Haskins & Sells

May 3, 1962
Newark, N. J.

Heartbeat of DistributionThe A & P Warehouse

Missile launching pads and grocery warehouses have a lot in common.

Each is an assembly point for the vital components of an important package headed toward a pre-determined goal.

There would be no satellites and no men in space without launching pads; there would be no modern A & P super markets without warehouses. There would be neither without important people to supervise and staff them, and without sensitive instruments to plot each move as efficiently as man's ingenuity will permit.

We don't care much for the word "warehouse" because of its inadequacy. To most people, a warehouse means a building used to protect goods and material against the weather. Webster calls it simply a "storehouse for goods."

To us, the A & P warehouse is many more things: an intelligence center that anticipates and makes ready the merchandise needs of the stores it serves; a traffic system delicately engineered to assure the quickest and most efficient handling of perishables; a marshaling yard enabling us to assemble goods from all parts of the world; a refinery, of sorts, where our coffees are roasted and skillfully blended, meats readied for store shipment and produce sorted and checked for quality.

Above all, we like to think of our warehouses in terms of distribution—moving good food to A & P shoppers in the most efficient, economical way and allowing us, in turn, to pass along to our customers the savings this efficiency generates.

Going behind the scenes of a modern A & P distribution center opens new vistas for the average layman who probably already understands the important functions of the other two extremities—procurement and selling at the store level—but who is completely unfamiliar with the unique installation half way between production and retailing.

It has been said of a warehouse that it is "the super market manager's super market." This is the "super market" at which the store manager shops for the merchandise demanded by his customers.

All suppliers obviously can't deliver their wares to each A & P super market directly for a very simple reason: the hundreds of delivery trucks involved would surround every store with a monumental traffic jam. So, instead, suppliers ship their products to A & P's warehouse in giant railroad cars and truck lots, with the warehouse crews combining these items and re-shipping them to individual stores in the swiftest and most economical way. The Company's warehouses are strategically located close to the center of specific distribution areas to reduce this secondary transportation cost to a minimum, and they also are equipped to check all goods to ascertain that they meet our demands for high standards of quality.

A visitor, driving into the traffic pattern of a 1962 warehousing complex, would feel almost as if he were entering a complete, self-contained community. The "warehouse" is not one traditionally dowdy old storehouse but, in most cases, a series of single-story build-

ON ITS WAY to the super markets by truck, merchandise has had only a brief stop-over in the warehouse.





CONSTANT INSPECTION of all meat products is an important responsibility of the A & P warehouse supervision.

ings linked by roads and parking lots; truck trailers and the cars of the warehouse employees dominate the exterior scene.

All such distribution centers are supplied by special rail sidings. And, in many instances, the railroad tracks, jammed with freight cars laden with agricultural and manufactured bounty of the nation, actually extend into the buildings.

The "community" is basically a one-story town. A single-story warehouse has many practical advantages. It can be spread out over several acres, have more door space through which to load trucks, and also can be more easily expanded through the construction of additional wings. A & P has been expanding for more than 100 years, so we've wisely left plenty of room for growth at the new warehouses, too.

Inside the principal building, or grocery warehouse, is an assembly area which, at first glance, resembles a giant airplane hangar. It is big enough to handle many railroad freight cars at one time. Cases of canned, bottled and boxed products—almost 4,000 separate items in all—soar toward the ceiling like man-made mountains, stacked there by fork-lift trucks that easily elevate heavily loaded pallets of merchandise.

A & P distribution centers like the Elmsford warehouse in New York's Westchester County utilize an interior

trolley car system that never stops. A beneath-the-floor chain drive at Elmsford propels many small flat trucks on a continuous parade almost one-third of a mile long, each of which is in almost constant use by skilled workmen filling individual store orders.

Just a few steps from the grocery building is another low and spreading structure. It is the meat warehouse which provides the steaks, chops and roasts for the families A & P serves in the neighboring area. Here the white-cloaked meat cutters work, using electric saws to trim down the carcasses of steers to retail store cuts. Huge compressors and coolers occupying almost an acre keep the meat temperatures at prescribed levels.

Like the meat warehouse, the produce warehouse just a few yards away seldom keeps a pound of food under its roof for more than a night. It is geared to the task of getting many varieties of fresh fruits, vegetables and eggs to our area customers in the fastest possible time. Trucks and freight cars unload during the day, their tonnage systematically stacked. By nightfall most of the produce is being gathered together in individual store orders and packed onto giant A & P trucks for a swift journey to outlying stores. The average super market is supplied with fresh produce daily.

Over-all, the impressions one receives of one of our warehouses are many. The size is staggering; it is hard to

believe that so much food, meat and produce exist. In any one day's incoming shipments there may be, for instance, sweet corn from Florida, bananas from Central America, potatoes from Maine, pineapples from Puerto Rico, meat from Omaha, coffee from Brazil, teas and spices from the Far East—rapidly moving into the warehouse and soon being speeded on their way to the shelves of A & P super markets.

There's no time to lose, with lines of freight cars backing into the warehouse to be unloaded at one end while empty A & P trucks are jockeying into position for the night's loading at the other end of the building. And yet, in spite of the activity, the whole operation runs smoothly.

Every mountain of cartons and crates has been placed in a special position for a precise reason. The most-used products are conveniently located on the main aisles within easy reach; and the most obscure or least needed products given the least accessible corner spots.

Even the order forms for merchandise which are made out in the stores help to keep things moving swiftly. On the forms, items are listed as closely as possible according to the sequence in which the merchandise is stored in the warehouse, a procedure which expedites the job of filling orders and getting them to the waiting trucks. On their return trips, the trucks come back loaded with the empty cartons and containers that have been unpacked at the super markets after previous deliveries. Many of these containers can be used again to carry new supplies.

Good housekeeping is an absolute necessity in an activity with the complexity of A & P. Since the warehouse operation involves so much perishable food, a corps of sanitation inspectors makes frequent tours to be sure that health standards are closely observed. Safe working conditions, of course, also are emphasized; the warehouse is inspected regularly by a safety committee and safety is a topic of discussion at the regular monthly meetings of warehouse supervisors.

And finally, there is the quiet confidence and pride of the warehouse crews themselves. At every A & P distribution center they know that the dinners A & P will sell to its customers tomorrow depend on their efforts in the day and the night before.

* * *

Every one of these activities is designed to make our operation more efficient and, of course, more economical.

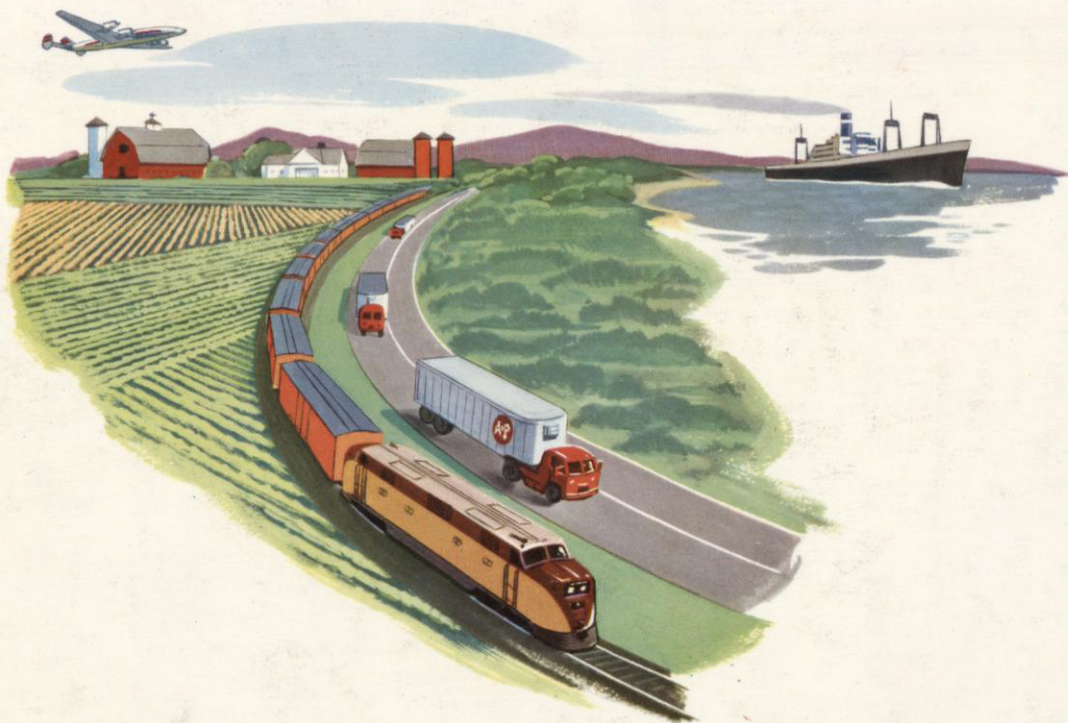
The complexities of stocking and maintaining more than 4,400 stores catering to the food requirements of millions, cast the warehouse in an increasingly important role. No wonder the term warehouse sounds so inadequate in these days, for it is vastly more than a storage depot. Today it is the very heart of our distribution system.

Through this far-flung warehousing-distribution system we have achieved the operating efficiency and economy that have helped us to continue to serve our customers well.



DISTRIBUTION CENTER from the air; a bird's eye view of the modern A & P warehouse system at Elmsford in New York's Westchester County.





*Dedicated to the speedy, efficient distribution of good food
from the farm to the American dinner table*